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**INNOVATIVE HUMAN RESOURCE MANAGEMENT  
PRACTICES IN INDIAN IT COMPANIES**

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**Abstract:** The current paper makes an attempt to investigate the emerging market context of India. Specifically, the focus is made on innovative human resource management (IHRM) practices employed by Indian IT companies. The drivers of adoption of innovative HRM practices by these companies include national environment, organizational restructuring and ownership structure, legitimizing drivers, organizational culture, and the role of HR department. The current paper contributes to the contingency perspective and contextual paradigm that state that particular sets of practices (e.g., IHRM) and organizational routines are likely to yield better performance if they are matched with specific objectives, conditions, and strategic interests that rise from the context of the external environment. Thus the paper is within an increasing trend to undertake studies in emerging markets context. In order to illustrate the wide range of the innovative HRM practices used by Indian IT companies, the paper analyzed three cases of Indian IT companies. Analysis of these cases shows variation of different types of such practices being adopted by Indian companies. Conclusions can serve as the foundation for recommendations to managers for increasing the performance of companies through using IHRM practices.

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# **Innovative Human Resource Management Practices in Indian IT Companies**

## **Introduction**

Over the past 15 years, a growing body of human resource management (HRM) literature has focused on perspectives of multi-national enterprises (MNEs) and cross-national human resource management [Som, 2012; Budhwar, Sparrow, 2002].

Recently, there is a growing body of literature that re-emphasizes the need for cross-national, comparative research across regions that focuses on the context [Budhwar, Debrah, 2009; Fey, Morgulis-Yakushev, Park, Bjorkman, 2009].

The most recent trend for international researchers has been to focus on interesting contextual issues of HRM within emerging economies such as India, China and Russia [Bjorkman, Budhwar, Smale, Sumelius, 2008] or between developed and emerging nations such as UK and India [Budhwar, Khatri, 2001; Baruch, Budhwar, 2006].

These studies have thrown light and tried to open the 'black box' for conditions that must exist for HRM to be adopted in different national contexts and settings. For example, there is accumulating evidence that innovative HRM practices are more likely to be adopted by privately owned or foreign-owned firms than by state-owned or public organizations in these economies [Som, 2012].

Innovative HRM practices are defined as any intentional introduction of HRM program, policy, practice or system designed to influence or adapt employee the skills, behaviors, and interactions of employees and have the potential to provide both the foundation for strategy formulation and the means of strategy implementation that is perceived to be new and creates current capabilities and competencies [Som, 2007]. A wide array of SHRM practices such as recruitment, selection, training, appraisal and reward systems can be construed as an innovation, when practiced for the first time in an organization.

Wolfe [1995] interviewed and surveyed a sample of 60 US HR professionals and over 40 different innovations were named. Participants were asked to name an HR innovation and then to identify an innovation they had actually implemented or helped implement. Examples provided included human resource information systems; 360-degree appraisals; internet recruiting; online access to employee information; telecommuting; Six Sigma; realistic job previews; training, re-training and redeployment, outsourcing; and competency-based compensation.

To dwell into the role of national factor, contingent variable and organizational strategy differences for designing innovative and effective HRM policies and practices researchers [Storey, 2004] have tried to compare activities in two developed nations (such as the USA and the UK with other developed nations in Europe), while a few of these bi-country studies have compared a developed nation with a developing/emerging nation (such as China, India or Eastern Europe). Within this literature, researchers have mostly used the hypothesis testing route to infer and broaden the knowledge base through similarities and differences of HR policies and practices that exist [Budhwar, Khatri, 2001; Baruch, Budhwar, 2006].

Following this call, there is an increasing trend to undertake studies in emerging market nations such as China, India, Brazil, Russia, South Africa and others.

This follows van Agtmael's [2007] work portraying a fundamental global shift in economic and potentially political power to emerging or transitional markets within the next 25 years and thus the rationale of the current research paper is to understand the emerging market context of India with regard to HRM practices used in Indian high-tech companies from IT sector.

Moreover, India was chosen as a context of analysis because of the following reasons.

First, India (in 2006) is the second largest and the second fastest growing economy in the world. India has grown at an average rate of 8 per cent for the past three years. Its savings rate is

now over 29 per cent of GDP and the investment rate is about 31 per cent of GDP. Together with this a growing young population and a vibrant marketplace, the Indian economy has become more hospitable to foreign direct investment. Continuing with liberalization, in 2005, policies relating to investment, taxation, foreign trade, FDI, banking, finance and capital markets have evolved to make Indian industry and enterprise more competitive globally. Sector-specific mega-investment regions with investments of up to US\$10 billion in each location are being promoted, beginning with telecommunications, chemicals, petrochemicals and the entire energy sector including petroleum, natural gas, power and captive coal mining offer exciting opportunities.

Second, due to this change in environment, organizations are adopting innovative HRM practices either to gain market share or to save their businesses. This phased liberalization created intensive competition through easier entry and greater foreign participation. For example, multi-national companies (MNCs), like Hyundai Motors, Ford, Renault, Toyota, Honda, Volvo, Cummins, Daimler Chrysler, Wal-Mart, GAP, Hilfiger, Asian Paints, Delphi, Eli Lilly, General Electric, Hewlett Packard, Heinz and Daimler Chrysler, GE Plastics, Monsanto, Whirlpool, HP Labs, Microsoft, Oracle are in India. India has slowly become a competitive battleground for more than 15,000 MNCs. This entry of MNCs into the Indian market has changed the dynamics of doing business in India. Liberalization enabled these organizations to expand, diversify, integrate and globalize more freely.

As a result, several Indian firms undertook significant organizational changes along with adoption of innovative human resource management practices during the late 1990s. Firms like Hero Honda, Tata Motors, Bharat Forge, Hindustan Inks, Sundaram Clayton, Essel Propack, BPCL, Maruti, Tata Iron and Steel, TVS Steel, Ranbaxy, Infosys, Wipro and Satyam were able to successfully adapt to the dynamic corporate scenario. The reasons that helped these organizations adapt were their foresightedness, expertise and abilities to adopt innovative HRM practices.

Third, factors adopting innovative HRM practices have not been studied at depth in an emerging country scenario, especially India, where liberalization has initiated a competitive environment that was not the case before. Researchers to date have mainly confined themselves to the USA, Japan [Ichniowski, Shaw, 1999] and some countries in Europe [Gooderham et al., 1999]. The extensiveness of the typology of managerial innovation has been confined mainly to the west and has not penetrated many developing countries and their organizations. It is no surprise then that even less research has been conducted in the field of HRM and its innovative practices in India. There has been very little empirical research to understand how organizations adopt managerial innovation and inculcate human resource practices to make organizations more competitive. Even though there has been accumulating evidence of the economic impact of HRM [e.g. Huselid, 1995; Schuler, Jackson, 2008], cross-cultural equivalence is paramount in order to meaningfully apply the implications for management practices and the concepts of HRM.

Although there are a number of studies devoted to the understanding the benefits associated with HRM practices, relatively little information is available on the HRM practices adopted by high-tech firms operating in India. The high-tech sectors are fast growing in India and operated by both national and multinational firms. Traditionally, competition in this sector has been solely based on product features, cost and technological innovation. However, this dynamic is increasingly changing with firms recognizing the role of other organizational capabilities such as speed, responsiveness and employee competence to its survival and performance [Bhal, 2002]. Evidence is available from literature on two counts, that research has looked at HRM and that the role HRM has played on innovation (technological and organizational). Given the above dynamics as well as the importance of high-tech sector to Indian and the global economy, it is worthwhile to examine the nature of innovative HRM practices adopted by high-tech firms operating in India.

## **Overview of the conducted research on HRM in India**

There is an increasing trend to undertake studies in emerging market nations such as China, India, Brazil, Russia, South Africa and others [Som, 2012]. This trend continues to be both single-country studies and multi-country comparative studies within emerging market contexts and developed–emerging market contexts.

A review of published literature on HR-related research in India [see Budhwar, 2008; Budhwar, Varma, 2010] reveals that scholars have been pursuing research on a variety of India-related HR issues, such as evolution of the Indian personnel function [Sparrow, Budhwar, 1997], the role of unions and industrial relations in the new economic environment [Ratnam, 1998], factors determining HRM and organizational commitment [Budhwar, Sparrow, 1997], HRM in multinationals operating in India [Bjorkman, Budhwar, 2007], national culture and its impact on HRM [Budhwar, Sparrow, 1997], talent management and organizational learning capability [Bhatnagar, 2007], innovative HRM [Som 2008], employee relations [Budhwar 2003], comparative HRM in public and private sector organizations [Bordia, Blau, 1998; Budhwar, Boyne, 2004], HRM in small and medium enterprises (SMEs) [Saini, Budhwar, 2008], emerging patterns of HRM in the business outsourcing sector [Budhwar, Luthar, Bhatnagar, 2006; Budhwar, Varma, Malhotra, Mukherjee 2009], applicability of western HRM models in India [Budhwar, Khatri 2001; Bjorkman, Budhwar, 2007], human resource development area [Rao, Silveria, Shrivastava, Vidyasagar, 1994; Sparrow, Budhwar, 1997] and training [Yadapadithaya, 2000] and comparative HRM between India and other countries [Kuruvilla, 1996; Sparrow, Budhwar, 1997].

Furthermore, researchers have also examined various aspects of organizational behavior and organizational dynamics [e.g. Sahay, Walsham, 1997; Aryee, Budhwar, Chen, 2002; Aryee, Chen, Budhwar, 2004] including studying issues related to supervisor–subordinate relationships [Varma, Pichler, Srinivas, 2005; Varma, Srinivas, Stroh, 2005]. With a rapid increase in the number of expatriates moving to India, several scholars have initiated empirical investigations related to their adjustment [e.g. Varma, Toh, Budhwar, 2006; Thite, Srinivasan, Harvey, Valk, 2009; Varma, Grodzicki, Pichler, Kupferer, Ramaswami, 2012].

Also a quality of work life (QWL) is being examined now as one of the important elements of the human resource management strategy in a context of “humanization of work” [Green, 2006]. Many research papers exploring the meaning of QWL use a multi-dimensional construct of QWL with a complex set of interrelated factors connected with HRM-practices, job interactions and work conditions [Van Laar et al, 2007; Retina, Rethinam, 2008]. It is expected that there is a special role of quality of work life for knowledge workers (such as IT employees) to be more productive, engaged and committed to their organizations in accordance with influence to their own performance and organizational effectiveness [Saks, 2006; Bolhari et al., 2011; Aketch, 2012; Kanten, 2012].

These examples clearly indicate the kind of HRM issues being explored related to the Indian setting. We should point out, however, that the above is not an exhaustive list of works published on India, and that this list is simply meant to be an indicative of the increased interest in India-related research.

## **Theoretical foundations for contextual research**

Insights offered by organizational theories reveal that innovative practices are adopted by organizations mainly to improve organizational performance. Walston et al. [2001] argue that innovative practices promise to enhance efficiency, are particularly attractive to organizations

facing intense competition and performance deficiencies and can be thought of as either driven by economic efficiency or by non-economic factors.

Adoption and diffusion occur as they encompass generation, development and implementation of new ideas or behaviors [Damanpour, 1991] and are influenced by characteristics of individual people, of the organization itself and of the context in which it operates and out of which it emerges [Kimberly, 1981; Kimberly, Evanisko, 1981].

To attend to the question why organizations adapt SHRM practices, the SHRM literature has debated and discussed a variety of perspectives drawn from organizational theory, including institutional theory [Wright, McMahan, 1992], contingency theory [Lengnick-Hall, Lengnick-Hall, 1988], universalistic, contingency and configurational perspectives [Delery, Doty, 1996], behavioural perspectives [Schuler, Jackson, 2008] and complex systematic perspective [Colbert, 2004]. An overview of these theories is presented in table 1.

*Table 1*

**Main theoretical concepts for adaptation of IHRM practices**

No	Approach	The main idea	Authors
1	Institutional	many structures, programs and practices in organizations attain legitimacy through the social construction of reality	[Wright, McMahan, 1992]
2	Contingency theory	adoption of SHRM practices are dependent on both the internal and external environment that the organization operates in it allows for interaction effect on the presence of a contingent variable such as strategy.	[Lengnick-Hall, Lengnick-Hall, 1988; [Delery, Doty, 1996]
3	Universalistic or 'best-practice' approach	certain HR practices are found to consistently lead to higher organizational performance, independent of an organization's stated strategy.	[Delery, Doty, 1996]
4	Configurational perspective	focuses on patterns of HR practices that are holistic and mutually reinforcing and have a correlation with organizational performance.	[Delery, Doty, 1996]
5	The behavioural perspective	has its roots in contingency theory and focuses on employee behavior as the mediator between strategy and firm performance.	[Schuler, Jackson, 1999]
6	The complexity perspective	system-level, path-dependent resources and capabilities only emerge out of the dynamic interplay within a given system and allows for the creation of creative and adaptive SHRM capabilities of the organization.	[Colbert, 2004].

Source: prepared by authors based upon [Som, 2007]

Some of these approaches are central to this research in understanding the adoption of SHRM practices in Indian organizations. We use the contingency theory for further analysis.

The contingency perspective states that particular sets of practices and organizational mechanisms are likely to yield better performance if they are matched with specific objectives, conditions, and strategic interests that rise from the context of the external environment and

encompass national factors, contingent variables, and organizational strategies, especially during bi-country studies [Budhwar, Debrah, 2009].

Contingency theory is essentially about the need to achieve fit between what the organization is and wants to become and what the organization does (how it is structured, and the processes, procedures, and practices it puts into effect). Some contingency variables are within the organization and others are outside it. Contingency variables that are internal to the organizations have an effect, which in turn mould other internal organizational characteristics, for example, firms' HRM policies and practices. This approach argues that performance is maximized when the HR policies and practices adopted are consistent with the business strategy, implying that business strategies are followed by HRM policies in determining the business performance [Schuler, Jackson, 1987; Huselid, 1995].

The contextual paradigm explores for differences between and within HRM policies and practices in various contexts and tries to search for the antecedents of those differences. Context relates to the concept of contingency, where actions and systems are to be in line.

As a contributor to the explanation, this paradigm emphasizes external factors (culture, ownership structures, labor markets, the roles of the state, trade union organization, and others) as well as internal factors (lobbying about and adjusting to government actions and dealing with equal opportunities legislation or with trade unions and tripartite institutions actions which form an important part of the HR role, specifically in high-context countries; Som, 2007].

Lengnick-Hall et al. [2009] summarized the evolution of the field of strategic HRM over the past 30 years. They noted that: International researchers are focusing on the interesting phenomenon of IHRM in countries with emerging economies. We are learning more about what conditions must exist for IHRM to be adopted.

Several researchers have acknowledged that the contingency perspectives are not universal, but are 'socially constructed' in each society [Boxall, 1995]. In such bi-country studies, researchers have noted that national HR practices are determined by both 'culture-free' (age, size, and nature of organization) and 'culture-bound' (national culture and institutions) factors [Baruch, Budhwar, 2006]. Investigation into the influence of both culture-free and culture-bound variables in a cross-national context has been crucial in the comparison of a developed nation and an emerging nation in light of the fact that emerging nations like India have attracted the most amount of foreign direct investments in recent years and are the only nations that have witnessed close to double digit growth in the past 10 years.

In a parallel stream of literature of HR bundles and high performance work systems (HPWSs), Huselid [1995] examined the relationship between HPWSs and firm performance. HPWSs were defined as those including comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems, and extensive employee involvement and training. It was found that the relationship between HPWSs and corporate financial performance was mediated by turnover and productivity. HPWSs reduce turnover and increase productivity, thus have a positive effect on corporate financial performance. MacDuffie [1995] used a 1989–1990 survey of 62 international automotive assembly plants to test whether HR bundles affected plant productivity and quality. HR bundles were defined as interrelated and internally consistent HR practices. These HR bundles were hypothesized to create multiple, mutually reinforcing conditions that support employee motivation and skill acquisition. He also hypothesized that an HR bundle or system must be integrated with the firm's overall business strategy to be effective (i.e. the contingency perspective). This research found support for the effect of HR bundles on plant productivity and quality. Furthermore, it was found that flexible production plants consistently outperformed mass production plants.



Guerrero and Barraud-Didier [2004] in their survey of 180 HR managers in large French companies reported that high-involvement human resource practices (HRPs) such as empowerment, communication, and training were all indirectly related to financial performance, with social performance playing a mediating role. When the HRPs were combined into a bundle, they had a stronger impact on performance than when they were studied individually. Ramirez and Fornerino [2007] had criticized the contingency perspective and proposed the neo-contingency perspective in their study of the impact of technological and national-culture factors on certain HRM policies and practices. They reported that the relevance in the diffusion of certain patterns of HRM policies and practices advocated that employees working in intensive technology firms need a creative and adaptive HR management approach.

### **HRM and the Indian contextual factors**

So as to develop an in-depth understanding of the HRM function in India, Budhwar and Debrah examined the main factors which form the very bases of HRM in India using large-scale study of Indian firms having 200 or more employees in six industries in the manufacturing sector (food processing, plastics, steel, textiles, pharmaceuticals and footwear) [Budhwar, Debrah, 2001].

The main goal of the study was to analyze the thinking of personnel specialists on the influence of national factors on their HR function. To examine the influence of national factors on HRM policies and practices, the respondents were asked to allocate a maximum of 100 points to different aspects of the following: national culture, institutions, dynamic business environment and business sector. Since the impact of the national factors on cross-national HRM is under-researched, to gain more insight into the matter an open-ended question after each national factor question was asked. To present a picture of the scene, respondents' perceptions on the influence of the four national factors on HRM policies and practices are ranked and presented in the table below.

*Table 2*

#### **The ranking of the impact of the national factors on Indian HRM**

Rank No	Ranking of factors by contextual groups			
	Culture	Institutions	Business Environment	Business Sector
1	Assumptions that shape the way managers perceive and think about the organization	National labor laws	Heightened focus on total management or customer satisfaction	Regulations and standards (for instance, payments, training, health and safety) specific for the industrial sector
2	Common values, norms of behavior and customs	Trade unions	Increased national/international competition. Globalization of corporate business structure	Specific requirement/needs of customers or suppliers that characterize the sector (for instance, supply chain management)
3	Way in which managers are socialized	Educational and vocational training set up	More sophisticated information/communication technology or increased reliance on automation	Common strategies, business logic and goals being pursued by firms across the sector

4	The match to the organization's culture and "the way we do things around here"	Professional bodies	Growth of new business arrangements, for instance, business alliances, joint ventures, and foreign direct investment through mergers and acquisitions	A labor market or skill requirement that tends to be used by the business sector only
5	The influence of pressure groups	International institutions	Downsizing of the work force and business re-engineering	Common developments in business operations and work practices dictated by the nature of the business
6			Changing composition of the workforce with respect to gender, age, ethnicity and changing employee values	The need for sector-specific knowledge in order to provide similar goods/services in the sector

Source: Prepared by authors based on [Budhwar, Debrah, 2001].

The results in Table 2 show that on average Indian managers give a high priority to the importance of cultural assumptions that shape the way employees perceive and think about the organization, as well as common Indian values, norms of behavior and customs and the way in which managers are socialized in India.

Indian managers give a high priority to national labor laws, trade unions and educational and vocational training set up, regarding their influence on HRM policies and practices.

Indian managers give a relatively high priority to customer satisfaction and increased competition/globalization of business structure regarding their influence on HRM policies and practices.

On average Indian managers score high on regulations and standards that are specific to their industrial sector as well as the specific requirement/needs of customers or suppliers (supply chain management) that characterize their sector.

### **Importance of innovative HRM practices**

Previous researchers have shown that IHRM practices have numerous benefits for the adopting organization [Paul, Anantharaman, 2004; Bhatnagar, Sandhu, 2005; Bhatnagar, 2007].

Paul and Anantharaman [2004] analyzed data from 370 software professionals working in Indian organizations and found that HR practices such as innovative and open work environment, opportunities for career development, development-oriented appraisal system, and comprehensive and customized training programs were positively linked with organizational commitment.

Previous research has also indicated other benefits of IHRM practices such as increased firm performance. Bhatnagar and Sharma [2005] found that HR practices and organizational learning capability were positively related to each other and were significant predictors of firm performance. Additionally, HR practices were associated with both the firm's profit and financial turnover while organizational learning capability was predicted by the firm's profit level only. Matlay, Khandekar and Sharma [2005] found positive associations between sustainable competitive advantage and organizational learning and IHRM for both Indian as well as foreign-owned organizations.

Singh [2003] computed HR practices indices to find out the relationship between the combined HR practices, i.e. HR practices as a system, and firm-level performance outcomes (assessed by productivity, turnover and other measures of performance such as price cost margin, return on capital employed and return on net worth). He examined a host of HR practices, including compensation, employee participation, information-sharing, job definition, organizational surveys, performance appraisal system, selection, training, and career planning, adopted by firms operating in India. The results indicated that HR practice indices accounted for a significant and positive variation in all the three measures of firm performance as well as turnover and productivity. Of all the HR practices, career planning explained the greatest variation in turnover. However, except for information-sharing, the proportion of employees covered under HR practices was low across different firms [Singh, 2003].

These results indicate that HR deliverables are crucial to firm performance and Indian organizations need to continually invest in their HR policies and practices.

Previous research on innovative HRM has operationalized the construct in a variety of ways. Some have referred to it as high-performance work systems [e.g. Jain et al., 2012], while others have used the label high involvement work practices [Edwards, Wright, 2001] or progressive HR practices [Wright, Gardner, Moynihan, Allen, 2005]. Studies show that such practices refer to the extent to which an organization has adopted strategies to redesign itself with changing competitive pressures, and emphasizes the role of people as a source of competitive advantage [Becker, Huselid, 1998]. Such practices are designed to improve organizational effectiveness by positively influencing employee attitudes and behaviors [Agarwala, 2003]. Examples include, but are not limited to, employee participation in decision-making, pay for performance plans like gain-sharing or profit-sharing, HR information systems and work-life balance programs.

Som [2006] found some common practices that are linked with superior organizational performance: first, linking HR strategies with overall corporate strategies; second, recruitment and selection of a competent and skilled workforce and investment in their career development; third, proactive performance management systems such as employee stock ownership, open and a transparent work atmosphere, and other integration schemes to retain employees in the organization; and, lastly, rightsizing, de-layering and decentralization of organizational processes to enhance employee motivation and morale.

Researchers have also attempted to assess the role HR has on organizational innovation. Shipton, Fay, West, Patterson and Birdi [2005] studying manufacturing firms found HR practices, especially performance appraisal, training and reward systems, to have a role on organizational innovation and learning systems. Later, Shipton, West, Birdi, and Patterson [2006] found that exploratory learning and exploitation of existing knowledge enhance technical and product innovations together with HR practices. Wang [2005] shows the importance of technological innovations supported by culture, knowledge management, person-system strategies, globally distributed engineering and HR practices. Li, Zhao and Liu [2006] show the importance of HRM practices, such as employee recognition and training on technological innovation in Chinese hi-tech firms. Leede and Looise [2005] state that a number of HR practices can be related to various stages of innovation. To summarize, the above review indicates that scholars use varied methods in understanding HRM practices. There appears to be a general agreement about the benefits associated with IHRM toward organization performance and behavioral outcomes, including organizational commitment and competitive advantage.

Although the above review is helpful in understanding the benefits associated with such practices, relatively little information is available on the IHRM practices adopted by high-tech firms operating in India. The high-tech sectors are fast growing in India and operated by both national and multinational firms. Traditionally, competition in this sector has been solely based

on product features, cost and technological innovation. However, this dynamic is increasingly changing with firms recognizing the role of other organizational capabilities such as speed, responsiveness and employee competence to its survival and performance [Bhal, 2002]. Evidence is available from literature on two counts, that research has looked at IHRM and that the role HRM has played on innovation (technological and organizational). Given the above dynamics as well as the importance of high-tech sector to Indian and the global economy, it is worthwhile to examine the nature of IHRM practices adopted by high-tech firms operating in India.

### **Innovative HRM practices review and their adoption factors**

In [Jain et al., 2012] the survey of 66 HR professionals was conducted to specify HR practices that are considered to be ‘innovative’. They clearly stated that recruitment and selection, training and development, performance appraisal and management, compensation and benefits, and career management are all practices that can be ‘innovative’. The summary of the specific examples of such practices is presented below.

*Table 3*

#### **IHRM practices in Indian companies**

No	Compensation and benefits	Performance appraisal	Career management	Training and development	Recruitment and selection
1	40% compensation be made variable, add foreign visit and training tours to world class set ups	Self-appraisal tallying with daily/weekly/monthly performance and KPIs of the Department. Gaps to be analyzed and the group must analyze and come out with program to bridge gaps	For leadership positions, third party experts must assess and company should build a record of achievements and failures	Organizational socializing and mentoring	Give problems/issues/task and ask the candidate to make presentation giving him the expectation of the selection committee out of his analysis
2	Increase variable component of salary as motivation	Assess at team level	Seeks competency based career progression and tracking	Segregate technical and behavioral training	Internal movement of people
3	Seeks performance based pay	Need 360 degree feedback, automated scorecard	Permit switching of functions	Use Psychometric profiling	Green recruitment
4	Seeks vacation, flexi time, resorts, hard cash	Prefer not to fill a form and have interactive sessions	Anchor related paths, from HR to Finance for example	Out bound training, including rock climbing, trekking, mental and	Capture student power, have interns and pre placement talks, recruitment websites

				physical endurance, games	
5	Tax planning	Prefer online systems	Need peer to peer mentoring and senior to junior coaching to improve inclusive development	Web conference training	Reduce candidate wait time, use six sigma, reduce wasteful practices that do not add value and are wasteful in recruitment process
6	Have an annual compensation survey	Use PIP (performance improvement program)	Performance potential matrix	Role plays	Use tips from Indian Army recruitment and recruit for 5 days to know candidates well
7	Work from home and save costs	Distinguish potential from performance	Entrepreneurship opportunities	Knowledge sharing	Provide money for employee referrals
8	Quarterly bonus	Identify top 5% and low 5% performers	Tie up with business schools	Plan life cycle of employee and competency development	
9	Prefer perks instead of cash out	Smart goal setting	Power mentor programs	Use action learning	
10	Menu card for comp and benefits	Map KRAs (key result areas)		Take employee consensus on skill gaps	
11	Link to education and experience slabs			Web learning and e-learning, web casts, blogs	
12	Calibrate compensation				

Source: prepared by authors based upon [Jain et al., 2012]

Most of the above statements are familiar practices of HRM in the specific HRM areas, such as of performance appraisal, training and development, compensations. Respondents of the survey also mentioned need to benchmark in this area and ‘use compensation ratios to determine organizational positioning for defined skill sets’ and ‘use industrial standards to fix salary and

provide higher ratio on incentives'. They also sought alignment of salary to organizational goals, and felt that 'compensation and benefits must contribute to the broader business goals'.

The adoption of IHRM practices depends largely on relative powers of organizational actors to push such innovation [Pfeffer, 1981; Wolfe, 1995], and on organizational context (e.g. size and extent of unionization) [Kossek, 1987, 1989]. Som [2007] proposed a host of factors that influence IHRM practice adoption in organizations operating in India: national environment, or institutional framework, culture and incentive structures for innovative practices; unionization; technological sophistication; organizational size, professionalization, restructuring; involvement of international consultants due to their expertise in international service requirements; leadership and style of top management; and role of HR department.

Additionally, previous researchers have argued that the nature of relationship of the HR department with top and middle management, and the ways through which the HR strategy is linked with the organizational strategy [Ulrich, 1997] are crucial factors for the adoption of innovative HRM practices [Kossek, 1987, 1989].

Som [2007] presented several propositions regarding the adoption of innovative HRM in India that he believed may be pertinent in other emerging economies. Through several case studies he proposed that national environment, organizational restructuring, ownership structure, legitimizing drivers, organizational culture and role of human resource (HR) department have all influenced the adoption of innovative HRM in India.

The differences in the adoption of IHRM can be attributed to external environmental conditions that often distinguish organizations from one industry to another [Kossek, 1987]. Most of the innovation scholars [Kimberly, 1981; Gooderham et al., 1999] have studied external environmental and institutional forces in developed nations but very few have studied the context of developing nations.

According to Som [2007], in the postliberalization India, these conditions are national environment, organizational restructuring, legitimizing, ownership structure, and culture and role of HRM department. The summary of these factors and arguments for their influence are presented in the table below.

*Table 4*

#### **Factors for IHRM practices adoption**

No	Factor	Notes	The effect (+/-)	Papers
1	Extent of unionization and sector characteristics (manufacturing and service)	1. The higher the extent of unionization in an organization, the lower is the adoption of innovative HRM practices. 2. The extent of adoption of innovative HRM practices is lesser in the manufacturing sector than in the service sector.	-	[Ramaswamy, Schiphorst, 2000; Som, 2007]
2	Technological Sophistication	The higher the extent of technological sophistication in organizations the higher the chance of adoption of innovative HRM practices.	+	[Som, 2002; Kossek, 1987]
3	Organizational Size,	1. The greater the size of the	+	[Som, 2007]

	Professionalization, Restructuring	organization, the greater is the likelihood of adoption of innovative HRM practices 2. The greater the need to professionalize and to be competitive, the greater the need for restructuring of public sector, private sector and organizations with foreign participation, the greater the chances of adoption of innovative HRM practices. 3. Family owned organizations will likely be late and slow adopters of innovative HRM practices while organizations with foreign participation will have a higher likelihood of faster adoption of innovative HRM practices.		
4	Role of International consultants	Greater the extent of use of international management consultants, the greater the chances of adoption of innovative HRM practices.	+	[Som, 2007]
5	Organizational culture (Leadership and style of top management)	The more influential is the organizational leadership, the stronger is the likelihood of creating an organizational culture of innovation and the more the likelihood of adoption of 'high performance' innovative HRM practices.	+	[Khandwalla, 2002]
6	Role of HR Department	The more professionally managed is the HR Department, the greater is the strategic role of the HR Department in terms of its ability to identify, develop and manage support resources and greater is the likelihood of adoption of HRM practices.	+	[Kimberly, 1981; Kossek, 1987; Som, 2007]

Source: prepared by authors based upon [Som, 2007]

Extent of unionization and sector characteristics (manufacturing and service) play an important role in the IHRM practices adoption by companies. Even though managers might innovate such processes, their adoption remains indeterminate as it depends upon the collective

bargaining of labor unions. In the Indian context, labor unions are more prominent in the manufacturing sector than in the services sector.

For example, Mahindra and Mahindra Ltd, the flagship company of the Mahindra Group, was suffering from manufacturing inefficiencies, low productivity, an over-stretched production cycle and poor output. The primary reason behind this inefficiency was the under productive and excessively unionized labor force. In 1995, the company introduced Business Process Reengineering (BPR), focusing on a total overhaul of the style in which the company was organized. The unions were made a party to the decision- making process and some specific innovative SHRM practices, like working in cross-departmental and cross functional teams, regular meetings amongst workers and HR personnel, and hiring training, re-training and redeploying the workforce were adopted. The unions understood the urgency and the BPR program achieved success after five years. On the other hand, adoption of innovative SHRM practices in the software services sector in companies like Infosys, Wipro, Tata Consulting Services, Mindtree Consulting, etc., started right from their inception.

Increased technological sophistication in the job redefined work environments where employees had more time and information for experimentation and innovation.

In organizations like BPCL [Som, 2003], an Indian Government owned company, the HRM function was redefined, became strategic and embedded in 'shared services' at the corporate headquarter whereas the administrative functions were more delegated at the strategic business unit level. With implementation of SAP, BPCL faced surplus manpower in areas of dispatch, logistics, projects and HRM. To tackle this situation, BPCL adapted innovative re-training and redeployment practices to absorb the excess workforce giving a chance for the workforce to build new competencies

The main reason for restructuring is usually unsatisfactory corporate structure and business processes. Restructuring of Indian companies was necessitated to build partnerships with foreign firms – looking for growth by way of new products, new market development, and strategic alliances. Foreign investors usually recruit a consulting firm in their home country that assesses potential partners in India. Such firms offer additional services to ensure a smooth integration of the two partners, conduct training to transfer innovative practices in general and IHRM in particular to partner firms in India. Through such transfer of managerial innovation techniques, adoption of processes occurred. Indian organizations that have foreign partnerships exhibit a greater extent of managerial innovation techniques and offer conducive environments for an early adoption and a relatively faster speed of diffusion of innovative practices.

The Aditya Birla Group, the third largest business group in India, grew from a US \$1.5 bln diversified conglomerate in 1995 to a US \$7.59 bln in 2006. With this growth came the necessity to restructure its businesses. The Group started restructuring its businesses to compete in the liberalized environment focusing on larger investments in fewer businesses.

To manage the increasing size of the Group, it built systems and processes and institutionalized the Corporate Centre. The HR was a key player in this change process. The top-management and the HR department understood that to manage growth and size focus would have to be in building competencies.

Executives tend to follow social norms and try to mimic each other to secure their firm's legitimacy. In India, organizations have been trying to be competitive by involving the services of international management consultants [Som, 2007]. International consultants reinforce a higher level of adoption of innovative HRM practices as they are perceived to offer better services and global benchmarks, as a result management approach and reaction to such consultants change automatically. The consultants recommend cost optimization, recruitment of specialists, retraining, redeployment, performance-based management systems and rightsizing to name a few from the bundle of HRM recommendations, in order to improve management skills.



Most of the family owned conglomerates, like Tatas, Birlas, Ambanis, Modis, Mahindras, Chabrias, Godrej, Bajaj, Mehtas, etc. had recruited the services of international consultants and had other companies, such as State Bank of India, Arvind Mills, BPCL, Maruti Udyog Limited, etc.

Organizational leadership and style of top management have a significant impact on the development of 'innovation friendly' cultures, in order to provide a clear vision, sense of direction and a focus for innovation activity. Organizational cultures demonstrating high levels of internal communication, promoting interactive behaviors and an ability to deal with change encourages innovative behavior [Hauser, 1998]. Research had also shown that the presence of existing HRM practices increase the adoption rate of additional 'high performance' HR practices [Huselid, 1995; Huselid et al., 1997]. High performance HR practices foster innovation through the development of innovation values, encouraging of information sharing, goal setting and appropriate training and development. Major innovations in HRM practices occurred when senior line managers take the lead [Kossek, 1987] and their adoption depends on the attitude of top management and their relationship with the HR department, like it was in TATA Group, Infosys, BPCL, Clariant India

The more professionally managed is the HR Department, the greater is the strategic role of the HR Department in terms of its ability to identify, develop and manage support resources and greater is the likelihood of adoption of HRM practices. Major HRM innovations occur when senior management takes the lead and adoption of innovative IHRM practices is dependent on the nature of relationship of the HR Department with the CEO and the line managers. The knowledge possessed by an HR practitioner depended on the extent to which he/she undertook activities associated with professionalism. Activities undertaken by members of a profession should include, among others, maintenance and development of an individual knowledge base, ensuring continued competence levels [Hatcher, Aragon, 2000].

On the whole, organizations adopt IHRM practices for a variety of reasons. The antecedents of innovative IHRM practices include national environment (extent of unionization and sector characteristics, technological sophistication), organizational restructuring and ownership structure, legitimizing driver (use of international consultants), organizational culture and the role of HR department.

The propositions of this study are close to those found in the literature meant for developed economies [Kimberly, 1981; Kossek, 1987, 1989; Gooderham et al., 1999] and therefore may be relevant to most sectors and industries anywhere in the world wherever there is a competitive market or a movement towards it. The propositions are grounded in managerial innovation and HRM literature. Due to paucity of studies in innovative HRM practices, more research is needed to test for generalizability of these interrelationships. It seems that there are fairly strong logical reasons why these practices may have wide relevance in liberalizing economies. In the post-liberalized India, a hyper-competitive business environment presented a number of challenges and opportunities, both external and internal. External challenges and uncertainties included barriers that were difficult to control. Internal challenges like dramatic advances in technology, changing of organizational forms necessitated redesigning of HRM practices like recruitment and selection, promotion, retraining and redeployment, performance appraisal and rightsizing. The globalization of business brought with it a global workforce and practiced that needed to be adopted and diffused to create a global work place. It is true that adoption of innovative HRM practices in organizations take place at a slow pace and some innovations are particularly slower than others are. Potential payoffs, cost of adoption, power relations and social factors hinder adoption process in organizations and more so in a liberalizing economy. Successful adoption, diffusion and implementation of HRM practices can be critical determinants for organizational success and effectiveness. When innovative HRM practices are adopted, they provide

a sustainable competitive advantage depending on how creatively and effectively they are interpreted and executed.

The adoption of IHRM practices depends largely on relative powers of organizational actors to push such innovation [Pfeffer 1981; Wolfe 1995], and on organizational context (e.g. size and extent of unionization) [Kossek 1987]. Som [2007] proposed a host of factors that influence IHRM practice adoption in organizations operating in India: national environment, or institutional framework, culture and incentive structures for innovative practices; unionization; technological sophistication; organizational size, professionalization, restructuring; involvement of international consultants due to their expertise in international service requirements; leadership and style of top management; and role of HR department.

Additionally, previous researchers have argued that the nature of relationship of the HR department with top and middle management, and the ways through which the HR strategy is linked with the organizational strategy [Ulrich, 1997] are crucial factors for the adoption of innovative HRM practices [Kossek, 1987].

### **Indian IT and high-tech companies: cases overview**

Over the last decade India has emerged as one of the leading innovation hubs of this century. Much of this growth is attributable to the growth of high-technology (shortly high-tech) firms such as information technology (IT), biotechnology, bioinformatics and pharmaceutical industries [Cho, McLean, 2009].

Indian IT firms have fully enjoyed global markets since the government liberalized its economy in 1991, when the US was looking for cost-efficient outsourcing markets [Cho, McLean, 2009]. Most Indian IT companies started positioning themselves as global firms by 2004. Infosys's early international success resulted in its 1999 appearance on the NASDAQ, the first ever listing for an Indian and non-US software company. Recently, the company has evolved from being simply an Indian firm with a global reach to 'a global company headquartered in India'. Infosys's major markets list North America (64.8%), Europe (24.5%), India (1.7%) and the rest of the world (9.0%) [Cho, McLean, 2009]. Other Indian IT firms share similar success stories in becoming global due to low operating costs, English-speaking IT engineers, the Indian diaspora in the US, familiarity with western business practices and increasing government support [Mastakar, Bowonder, 2005]. Indian IT firms certainly have advantages by having entered comparatively early in global markets; yet they still face challenges of how to approach diversity issues more seriously as they expand their markets to a greater global scale.

In the paper [Jain et al., 2012] there was conducted a case study analysis of HRM practices used in Indian IT companies. The major characteristics of HRM system in each company is presented in table 5.

*Table 5*

### **HRM practices in three IT companies**

Characteristic	Wipro	MindTree	Sasken
Industry and sphere	IT and R&D service provider	IT and R&D consulting company (offshore software development, product engineering and outsourcing services, IT development, IT	multinational organization in the telecommunications and information and communication technology (ICT) area

		sales)	
Year of establishment	1947	1999	1991
Headquarter city	Bangalore	Bangalore	Bangalore
Number of employees	95000 employees	5500 employees	3500 employees
HR Department	675 HR employees	18 HR employees	40 HR employees
Organizational culture	<ul style="list-style-type: none"> <li>- investments in employee empowerment and recognizes achievement through rewards and recognition programs</li> <li>- various rewards are in place to recognize exceptional team performance, achievement, and innovative ideas and solutions</li> </ul>	<ul style="list-style-type: none"> <li>- focuses on high achievement orientation and high caring</li> <li>- rewards healthy competition and outstanding performance</li> <li>- provides two-way communication where open interaction between employees and management is encouraged</li> </ul>	<ul style="list-style-type: none"> <li>- promotes a performance-oriented work culture with extensive measurement systems and incentive schemes to identify and encourage performance</li> <li>- encouraging a culture of open communication and large group meetings, focus group and process discussions.</li> </ul>
T&D	<ul style="list-style-type: none"> <li>- Extensive investments in the growth and development of employees</li> <li>- Collaborative learning</li> <li>- 80 trained instructors</li> <li>- Provides over 380,000 man-days of training every year</li> <li>- Opportunities for growth and development are available through cross-cultural, technological and leadership training programs</li> <li>- educational tie-ups with some of the famous institutes of technology and management</li> </ul>	<ul style="list-style-type: none"> <li>- Extensive training and certifications.</li> <li>- Emphasizes continuous learning to achieve specific outcomes</li> <li>- Offers learning programs that help employees develop their interpersonal and decision-making skills</li> <li>- offers a mentor and buddy system to help orient new hires</li> </ul>	<ul style="list-style-type: none"> <li>- Need-based training that is led by mentors</li> <li>- Encourages employees to pursue further education while working and endorses continuous learning and employee growth</li> <li>- Sponsors higher education programs</li> <li>- Senior executives attend programs at the London Business School, Harvard, and other leading international business institutions</li> </ul>
Rewards	<ul style="list-style-type: none"> <li>- Highly-developed performance appraisal system</li> <li>- Competitive salaries based on performance</li> <li>- comprehensive medical assistance program for</li> </ul>	<ul style="list-style-type: none"> <li>- various nonfinancial incentives such as company-wide Healthy Mind in Healthy Body initiative - helps employees</li> </ul>	<ul style="list-style-type: none"> <li>- based on performance</li> <li>- Equity is promoted: all employees receive the same workspace, amount of employee</li> </ul>

	<p>employee and his/her family</p> <ul style="list-style-type: none"> <li>- interest-free loans to cover housing deposit</li> <li>- contingency loans for marriage, illness or death of a close family member;</li> <li>- stock options to deserving employees</li> <li>- profit sharing tied to job performance</li> <li>- credit cards for all employees</li> <li>- Non-monetary benefits (caretaker for household chores, transportation to organization's development centers and canteen facility</li> <li>- Deferred benefits like provident fund, gratuity and pension plan</li> <li>- cultural events and programs to involve kids and family</li> </ul>	<p>accommodate exercise in daily schedules.</p> <ul style="list-style-type: none"> <li>- sporting events and contests, various hobby classes, instructional courses such as yoga, salsa and aerobics classes</li> <li>- In-house clinic, a full-time nurse and biweekly on-site doctor visits</li> <li>- interactive sessions with experts on cardiology, ergonomics, nutrition and lifestyle</li> <li>- Programs such as 'circle of life'- to engage and inform employee's family members on events happening in MindTree</li> </ul>	<p>leave time, benefits and travel allowances</p> <ul style="list-style-type: none"> <li>- offices have cafeterias, an exclusive ATM, gymnasium, medical center, childcare center and a travel desk</li> <li>- After 4 years of service, employees are eligible for 6 weeks of paid leave.</li> </ul>
Innovative HRM	<ul style="list-style-type: none"> <li>- Concept of collaborative learning - Mission 10 X - invites employees to engage in collaborative learning with the latest curriculum and technology</li> <li>- 360 performance appraisal that encourages feedback from all levels</li> </ul>	<ul style="list-style-type: none"> <li>- New practices such as developing a culture of compensation and benefits in the organization by conducting regular information sessions on its benefits plan such as compensation bands, increments and benchmarks</li> <li>- A more involved role is seen for the peoples function at MindTree where creative ideas and concepts are encouraged across all levels of the organization</li> </ul>	<ul style="list-style-type: none"> <li>- Dividing HR into strategic HR (policies and processes), developmental HR, organization development and architecture, business HR</li> <li>- encouraging a culture of open communication and large group meetings, focus group and process discussions</li> <li>- innovative flex-time programs to promote balanced lifestyle</li> </ul>

Source: prepared by authors based upon [Som, 2007]

The case studies of Indian MNCs indicate that innovations in HRM practices are prevalent and are being adopted by high-tech firms operating in India. Analysis of three Indian IT companies shows variation of different types of such practices. For instance, Wipro emphasized performance appraisal, training and development (using collaborative learning), team work, and work–life balance. Whereas MindTree focused on a supportive culture using employee training and development; compensation and benefits analysis and pay band design; use of recruitment strategies such as internal referrals, and a variety of performance measurement and appraisal techniques. In the case of Sasken, an emphasis on creativity is obvious. They take care to enhance employee empowerment, freedom, remove fear of failure, encourage performance-based growth and incentives, flexi-time, work–life balance and open communication.

## **Conclusion**

The goal of the current working paper was to understand the emerging market context of India with regard to HRM practices used in Indian high-tech companies from IT sector, explore the drivers of adoption of innovative HRM practices, and identify specific IHRM practices used by Indian IT firms.

Over the last decade India has emerged as one of the leading innovation hubs of this century. Much of this growth is attributable to the growth of high-technology (shortly high-tech) firms such as information technology (IT), biotechnology, bioinformatics and pharmaceutical industries/

This goal of the paper is within an increasing trend to undertake studies in emerging market nations such as China, India, Brazil, Russia, South Africa and others [Som, 2012].

The theoretical basis for these research endeavors is a number of perspectives drawn from organizational theory, including institutional theory [Wright, McMahan, 1992], contingency theory [Lengnick-Hall, Lengnick-Hall, 1988], universalistic, contingency configurational perspectives [Delery, Doty, 1996], behavioural perspectives [Schuler, Jackson, 1999] and complex systematic perspective.

The current paper contributes to the contingency perspective and contextual paradigm which states that particular sets of practices and organizational mechanisms are likely to yield better performance if they are matched with specific objectives, conditions, and strategic interests that rise from the context of the external environment and encompass national factors, contingent variables, and organizational strategies, especially during bi-country studies [Budhwar, Debrah, 2009].

The contextual paradigm explores for differences between and within HRM policies and practices in various contexts and tries to search for the antecedents of those differences. Context relates to the concept of contingency, where actions and systems are to be in line.

This paradigm emphasizes external factors (culture, ownership structures, labor markets, the roles of the state, trade union organization, and others) as well as internal factors (lobbying about and adjusting to government actions and dealing with equal opportunities legislation or with trade unions).

At the same time, researchers have noted that national HR practices are determined by both ‘culture-free’ (age, size, and nature of organization) and ‘culture-bound’ (national culture and institutions) factors [Baruch, Budhwar, 2006]. Investigation into the influence of both culture-free and culture-bound variables in a cross-national context has been crucial in the comparison of a developed nation and an emerging nation

We then overviewed the results of the study [Budhwar, Debrah, 2001] with ranking of the impact of the national factors on Indian HRM including four groups: culture, institutions, business environment, and business sector.

A review of published literature on HR-related research in India [see Budhwar, Singh 2007; Budhwar 2009; Budhwar, Varma, 2010] reveals that scholars have been pursuing research on a variety of India-related HR issues. Overview of the innovative HRM practices in Indian companies [Jain et al., 2012] allowed to conclude that most of the innovative practices are standard HRM practices in the specific areas, such as of performance appraisal, training and development, compensations.

On the whole, organizations adopt IHRM practices for a variety of reasons. The antecedents of innovative IHRM practices include national environment (extent of unionization and sector characteristics, technological sophistication), organizational restructuring and ownership structure, legitimizing driver (use of international consultants), organizational culture and the role of HR department.

The context of IT firms is not only considered to be the trigger of Indian economic growth, but also serves as an indicator of innovative management practices, including innovative HRM practices. To illustrate the wide range of the innovative HRM practices used by Indian companies we overviewed the results of the Som's [2007] study presenting three cases of Indian IT companies. The case studies of Indian IT companies indicate that innovations in HRM practices are prevalent and are being adopted by high-tech firms operating in India. Analysis of three Indian IT companies shows variation of different types of such practices. For instance, Wipro emphasized performance appraisal, training and development (using collaborative learning), team work, and work-life balance. Whereas MindTree focused on a supportive culture using employee training and development; compensation and benefits analysis and pay band design; use of recruitment strategies such as internal referrals, and a variety of performance measurement and appraisal techniques. In the case of Sasken, an emphasis on creativity is obvious. They take care to enhance employee empowerment, freedom, remove fear of failure, encourage performance-based growth and incentives, flexi-time, work-life balance and open communication.

Considering the complex nature of the phenomenon of innovative HRM and the research topics covered, it would be unwise to come to any definite conclusions regarding Indian HRM. It is essential to examine much more closely the regional HRM differences, the Indian innovation ecosystem, the differences in private and public sector management practices and policies and the issues related to management approaches in Indian IT companies more closely.

Apart from these, to develop a better understanding regarding the influence of national factors on HRM policies and practices in the Indian IT sector, the impact of different dimensions of national culture such as the ones proposed by the GLOBE study [House et al., 2004] should be examined.

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